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**FISCAL IMPACT STATEMENT**

**LS 6734**

**BILL NUMBER: SB 285**

**NOTE PREPARED:** Dec 23, 2011

**BILL AMENDED:**

**SUBJECT:** Review of Local Government Budgets.

**FIRST AUTHOR:** Sen. Lawson C

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X **GENERAL**  
**DEDICATED**  
**FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill has the following provisions:

*Nonbinding Review Submit Prior to September 1<sup>st</sup>*- The bill requires all civil taxing units subject to nonbinding review to file the information required for the nonbinding review with the county fiscal body on or before September 1 of each year.

*Nonbinding Fiscal Review by October 1<sup>st</sup>*- The bill requires a county fiscal body to complete the reviews and issue nonbinding recommendations on or before October 1 of each year.

*Binding Review Submit Prior to September 1<sup>st</sup>*- The bill requires a taxing unit that is subject to binding review to submit its budget and levies for final approval on or before September 1 of each year.

*Copy of Notice*- The bill requires a taxing unit submitting its budget and tax levies for either nonbinding review or final approval to also submit to the reviewing body a copy of the notice of budget estimates and tax levies published by the taxing unit.

*Additional Appropriations*- The bill provides that a political subdivision that is required to submit its proposed budget and property tax levy for final approval may make an additional appropriation only if the additional appropriation is also approved by the body that approved the political subdivision's proposed budget and property tax levy.

*DLGF Pilot Program*- The bill authorizes the Department of Local Government Finance (DLGF) to establish a pilot program concerning nonbinding review of budgets, property tax rates, and property tax levies. The

bill provides that for a county to be eligible for designation as a pilot county, the county fiscal body must adopt a resolution and submit an application to the DLGF. The bill allows the DLGF to designate not more than three counties as pilot counties.

*Specifications of Pilot Program-* The bill specifies that the following apply in 2013 and thereafter in a pilot county: (1) Each taxing unit in the pilot county must file with the DLGF the taxing unit's proposed budgets, property tax rates, and property tax levies. (2) When formulating the taxing unit's estimated budget, property tax rate, and property tax levy, each taxing unit shall consider estimated consequences of the circuit breaker property tax credits. (3) The DLGF shall prepare an analysis of the proposed budgets, property tax rates, and property tax levies submitted by taxing units in the pilot county and provide the analysis to the county fiscal body and to the fiscal body of each taxing unit in the pilot county. (4) Upon request by the county fiscal body, representatives of the DLGF shall appear before the county fiscal body to review the analysis. (5) The county fiscal body shall review the proposed budgets, property tax rates, and property tax levies of each taxing unit in the county and the total tax rate of each taxing district in the county, and shall issue a nonbinding recommendation to each taxing unit.

**Effective Date:** July 1, 2012.

**Explanation of State Expenditures:** *DLGF Pilot Program-* The option to establish a pilot program would require DLGF staff time to select three eligible counties and then prepare and provide an analysis of each taxing unit (including school corporations) within those counties. The analysis for each pilot county would include the estimated total property tax rate for each taxing district and the estimated total amount of property taxes to be levied. The DLGF would also have to estimate the impact of property tax credits on property tax rates, total tax rates, and the property taxes collected by each taxing unit in those counties.

Additionally, the DLGF would have to provide the analysis to each pilot county's fiscal body and to the fiscal bodies of each taxing unit within the pilot county. If requested by the county fiscal body, DLGF personnel would appear at a meeting of the county fiscal body to present and explain their analysis. The DLGF could realize an increase in their agency in-state travel costs as a result of this provision.

The DLGF would have to report before November 1, 2013, and by each November 1 in subsequent years to the Commission on State Tax and Financing Policy on the program. The pilot program would expire on January 1, 2016.

The additional funds and resources required to carry out the pilot program could be supplied through existing staff and resources currently being used in another program or with new appropriations. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend on further legislative and administrative actions.

**Background Information-** The DLGF expended \$40,317 during FY 2011 for in-state travel.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** *Copy of Notice-* Taxing units would likely be able to submit copies of the notice of budget estimates and tax levies to the appropriate municipal or county fiscal body within existing resources.

*Additional Appropriations-* This provision could limit any additional appropriations that could be made in future years by a taxing unit. (Under current law, the DLGF provides the authority to make additional appropriations.) The bill would continue the DLGF's authority, but would, in addition, add local fiscal or legislative body approval for additional appropriations. Further appropriations could be limited by the fiscal or legislative body approval regardless of prior DLGF approval. The impact to local expenditures would depend on future legislative or fiscal body action.

*DLGF Pilot Program-* The county councils of the three counties in the pilot program could require additional meetings to review and approve nonbinding recommendations for additional taxing unit budgets (including school corporations, conservancy districts, solid waste management districts, and fire protection districts) within a month's time. Additional meetings would increase a county's per diem expenditures.

Of note, a taxing unit in a pilot county that currently is subject to a binding review by the appropriate local fiscal body would still have to submit the required documentation for that binding review.

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of Local Government Finance.

**Local Agencies Affected:** County fiscal bodies, taxing units under the pilot program.

**Information Sources:** State Budget Agency's Auditor Data.

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